

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Clam Lake Township	County Wexford
Fiscal Year End 6-30-2006	Opinion Date 9-25-2006	Date Audit Report Submitted to State October 6, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 		Printed Name Steven C. Arends, C.P.A.	License Number 1101013211

CLAM LAKE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

JUNE 30, 2006

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

JUNE 30, 2006

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 25, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Clam Lake Township
Wexford County
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Clam Lake Township, Wexford County, Cadillac, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Clam Lake Township, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Clam Lake Township, as of June 30, 2006, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, Clam Lake Township, has issued separate reporting entity financial statements for which we have issued our report dated September 21, 2006.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clam Lake Township, Wexford County, Cadillac, Michigan as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through x and budgetary comparison information on page 25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clam Lake Township, Wexford County, Cadillac Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Clam Lake Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Clam Lake Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2006, along with specific comparative information as required.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,243,812. Of this amount, \$464,776 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$511,249 an increase of \$64,153 in comparison with the prior year. About 68.21% is available for spending at the Township's discretion.
- ◆ At June 30, 2006, the Township is not obligated for any long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township can be divided into two categories - governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Clam Lake Township's own programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$1,243,812 at June 30, 2006, meaning the Township's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

Clam Lake Township
Net Assets as of June 30,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Assets						
Current Assets	\$ 532,755	\$ 462,843	\$ 36,999	\$ 36,030	\$ 569,754	\$ 498,873
Non Current Assets						
Capital Assets	\$ 707,638	\$ 575,948	\$ 114,467	\$ 114,467	\$ 822,105	\$ 690,415
Less: Accumulated Depreciation	(75,029)	(51,156)	(60,664)	(58,375)	(135,693)	(109,531)
Total Non Current Assets	\$ 632,609	\$ 524,792	\$ 53,803	\$ 56,092	\$ 686,412	\$ 580,884
Total Assets	\$1,165,364	\$ 987,635	\$ 90,802	\$ 92,122	\$ 1,256,166	\$ 1,079,757
Liabilities						
Current Liabilities	\$ 12,354	\$ 1,756	\$ 0	\$ 0	\$ 12,354	\$ 1,756
Net Assets						
Invested in Capital Assets	\$ 632,609	\$ 524,792	\$ 53,803	\$ 56,092	\$ 686,412	\$ 580,884
Restricted	92,624	88,601	0	0	92,624	88,601
Unrestricted	427,777	372,486	36,999	36,030	464,776	408,516
Total Net Assets	\$1,153,010	\$ 985,879	\$ 90,802	\$ 92,122	\$ 1,243,812	\$ 1,078,001
Total Liabilities and Net Assets	\$1,165,364	\$ 987,635	\$ 90,802	\$ 92,122	\$ 1,256,166	\$ 1,079,757

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township has \$464,776 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the Township increased by \$165,811 or 15.38% in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Clam Lake Township
Change in Net Assets
for the Fiscal Year Ended June 30,

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2006	2005	2006	2005	2006	2005
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 17,570	\$ 20,036	\$ 8,593	\$ 8,636	\$ 26,163	\$ 28,672
Capital Grants and Contributions	4,755	0	0	0	4,755	0
General Revenues						
Property Taxes and Assessments	233,017	222,479	0	0	233,017	222,479
State Grants	211,939	152,804	0	0	211,939	152,804
Interest Earnings	7,571	7,480	838	26	8,409	7,506
Other	18,340	19,086	0	0	18,340	19,086
Total Revenues	\$ 493,192	\$ 421,885	\$ 9,431	\$ 8,662	\$ 502,623	\$ 430,547
<u>Expenses</u>						
Legislative	\$ 23,345	\$ 25,022	\$ 0	\$ 0	\$ 23,345	\$ 25,022
General Government	108,012	110,041	0	0	108,012	110,041
Public Safety	153,256	143,054	0	0	153,256	143,054
Public Works	22,055	114,115	0	0	22,055	114,115
Other Functions	19,393	22,417	0	0	19,393	22,417
Sewer	0	0	10,751	10,711	10,751	10,711
Total Expenses	\$ 326,061	\$ 414,649	\$ 10,751	\$ 10,711	\$ 336,812	\$ 425,360
Changes in Net Assets	\$ 167,131	\$ 7,236	\$ (1,320)	\$ (2,049)	\$ 165,811	\$ 5,187
<u>NET ASSETS</u> - Beginning of Year	985,879	978,643	92,122	94,171	1,078,001	1,072,814
<u>NET ASSETS</u> - End of Year	\$1,153,010	\$ 985,879	\$ 90,802	\$ 92,122	\$ 1,243,812	\$ 1,078,001

Governmental Activities

During the fiscal year ended June 30, 2006, the Township's net assets increased by \$167,131 or 16.95% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

The most significant part of the revenue for all governmental activities of Clam Lake Township comes from property taxes. The Township levied operating and fire protection millages, this fiscal year. The Township levied 0.8304 mills for operating purposes and 2.0000 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by public safety expenses that total 47.00% of total expenses. The Township spent \$153,256 in fiscal year 2006 on public safety expenses. General government expenses represented the next largest expense at \$108,012 followed by legislative at \$23,345. These represent 33.13% and 7.16% respectively. Expenses for salaries, including Township assessor, represent a large portion of the general government expenses at \$69,138. Depreciation expense added another \$20,700 in general government and \$3,173 in public works.

Business-Type Activities

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$8,593 for 2006. The Township pays the Wexford County Department of Public Works for Township sewer services which accounted for \$8,462 of the Sewer Funds expenses or 78.71%. Depreciation expense of \$2,289 accounted for the remaining 21.29%.

Sewer operations experienced a 1.43% decrease in net assets.

The Sewer Fund is the Township's only business-type activity.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Clam Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Clam Lake Township's governmental funds reported combined ending fund balances of \$511,249. Approximately 68.21% of this total amount (\$348,747) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that will enhance fire protection.

General Fund – The General Fund increased its fund balance by \$60,130, which brings the fund balance to \$418,625. Of the General Fund's fund balance, \$348,747 is unreserved. Property tax revenues decreased by 9.12% or \$(5,802). State shared revenues increased by \$50,276 from the prior year. This represents a 3.29% increase.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Fire Fund – The Fire Fund increased its fund balance by \$2,262, which brings the fund balance to \$85,593. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2005 tax roll. This resulted in \$139,279 in tax related revenues during the current fiscal year.

Road Improvement Fund #11 – The Road Improvement Fund #11's fund balance increased by \$721, which brings the fund balance to \$721. This balance is reserved and must be used for road improvements.

The total costs for road improvements have been paid in full.

Road Improvement Fund #12 – The Road Improvement Fund #12 increased its fund balance by \$563, which brings the fund balance to \$2,023. This balance is reserved and must be used for road improvements.

This is a temporary fund which will ultimately be zeroed out when the special assessments are collected in full.

Proprietary Fund - The Township's proprietary fund provides the same information as the government-wide statements.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net assets of \$(1,320). Net assets invested in capital assets decreased by the amount of the depreciation deduction or \$2,289. A positive change in cash flows illustrates that actual cash inflows are higher than cash outflows.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of June 30, 2006 amounted to \$686,412 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 18.17%.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. In addition, the Township occasionally capitalizes items under the \$5,000 threshold. A summary of capital asset categories is illustrated below:

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Clam Lake Township
Capital Assets as of June 30,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land and Land Improvements	\$ 177,846	\$ 177,846	\$ 0	\$ 0	\$ 177,846	\$ 177,846
Buildings	373,731	373,731	0	0	373,731	373,731
Improvements Other than Buildings	0	0	114,467	114,467	114,467	114,467
Infrastructure	126,935	0	0	0	126,935	0
Machinery and Equipment	29,126	24,371	0	0	29,126	24,371
	\$ 707,638	\$ 575,948	\$ 114,467	\$ 114,467	\$ 822,105	\$ 690,415
Less Accumulated depreciation	75,029	51,156	60,664	58,375	135,693	109,531
Net Capital Assets	\$ 632,609	\$ 524,792	\$ 53,803	\$ 56,092	\$ 686,412	\$ 580,884

Major capital asset events during the fiscal year included:

- Improvements were completed to 43 Road at a cost of \$126,935.
- A voting machine was obtained through a state grant at a value of \$4,755.

Long-Term Debt. Clam Lake Township has no obligation for any long-term debt as of June 30, 2006.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Clam Lake Township at 8809 E. M-115, Cadillac, Michigan 49601.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 389,916	\$ 41,721	\$ 431,637
Receivables			
Accounts	0	2,828	2,828
Special Assessments	11,977	0	11,977
External Party (Fiduciary Fund)	72,903	0	72,903
Taxes	296	0	296
Due from Other Governments	50,113	0	50,113
Due from Other Funds	7,550	(7,550)	0
Total Current Assets	\$ 532,755	\$ 36,999	\$ 569,754
<u>CAPITAL ASSETS</u>			
Land and Land Improvements	\$ 177,846	\$ 0	\$ 177,846
Buildings	373,731	0	373,731
Improvements Other Than Buildings	0	114,467	114,467
Infrastructure	126,935	0	126,935
Machinery and Equipment	29,126	0	29,126
	\$ 707,638	\$ 114,467	\$ 822,105
Less Accumulated Depreciation	75,029	60,664	135,693
Net Capital Assets	\$ 632,609	\$ 53,803	\$ 686,412
TOTAL ASSETS	\$ 1,165,364	\$ 90,802	\$ 1,256,166
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 10,654	\$ 0	\$ 10,654
Payroll Withholdings	1,299	0	1,299
Accrued Payroll Taxes	401	0	401
TOTAL LIABILITIES	\$ 12,354	\$ 0	\$ 12,354
<u>NET ASSETS</u>			
Invested in Capital Assets	\$ 632,609	\$ 53,803	\$ 686,412
Restricted			
Road Improvements	2,744	0	2,744
Fire Protection	85,593	0	85,593
Street Lighting	1,959	0	1,959
Debt Retirement	2,328	0	2,328
Unrestricted	427,777	36,999	464,776
TOTAL NET ASSETS	\$ 1,153,010	\$ 90,802	\$ 1,243,812
TOTAL LIABILITIES AND NET ASSETS	\$ 1,165,364	\$ 90,802	\$ 1,256,166

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<u>PRIMARY GOVERNMENT</u>								
<u>GOVERNMENTAL ACTIVITIES</u>								
Legislative	\$ 23,345	\$ 0	\$ 0	\$ 0	\$ (23,345)	\$ 0	\$ (23,345)	
General Government	108,012	16,820	0	4,755	(86,437)	0	(86,437)	
Public Safety	153,256	750	0	0	(152,506)	0	(152,506)	
Public Works	22,055	0	0	0	(22,055)	0	(22,055)	
Other Functions	19,393	0	0	0	(19,393)	0	(19,393)	
Total Governmental Activities	\$ 326,061	\$ 17,570	\$ 0	\$ 4,755	\$ (303,736)	\$ 0	\$ (303,736)	
<u>BUSINESS-TYPE ACTIVITIES</u>								
Sewer System	\$ 10,751	\$ 8,593	\$ 0	\$ 0	\$ 0	\$ (2,158)	\$ (2,158)	
TOTAL	\$ 336,812	\$ 26,163	\$ 0	\$ 4,755	\$ (303,736)	\$ (2,158)	\$ (305,894)	
<u>GENERAL REVENUES</u>								
Property Taxes and Special Assessments					\$ 233,017	\$ 0	\$ 233,017	
State Grants					211,939	0	211,939	
Interest Earnings					7,571	838	8,409	
Other					18,340	0	18,340	
Total General Revenues					\$ 470,867	\$ 838	\$ 471,705	
Change in Net Assets					\$ 167,131	\$ (1,320)	\$ 165,811	
<u>NET ASSETS</u> - Beginning of Year					985,879	92,122	1,078,001	
<u>NET ASSETS</u> - End of Year					\$ 1,153,010	\$ 90,802	\$ 1,243,812	

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006

	GENERAL FUND	ROAD IMPROVEMENT FUND #11	ROAD IMPROVEMENT FUND #12	FIRE FUND	NONMAJOR FUNDS	TOTALS
<u>ASSETS</u>						
Cash	\$ 342,853	\$ 0	\$ 0	\$ 44,856	\$ 2,207	\$389,916
Special Assessment Receivable	0	9,152	2,589	0	236	11,977
Due from Other Governments	50,113	0	0	0	0	50,113
Due from Other Funds	14,627	0	0	0	0	14,627
Due from Fiduciary Fund	24,211	721	2,025	44,102	1,844	72,903
Taxes Receivable	87	0	0	209	0	296
TOTAL ASSETS	<u>\$ 431,891</u>	<u>\$ 9,873</u>	<u>\$ 4,614</u>	<u>\$ 89,167</u>	<u>\$ 4,287</u>	<u>\$539,832</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 10,654	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,654
Payroll Withholdings	1,299	0	0	0	0	1,299
Accrued Payroll Taxes	401	0	0	0	0	401
Due to Other Funds	912	0	2,591	3,574	0	7,077
Deferred Revenue	0	9,152	0	0	0	9,152
Total Liabilities	<u>\$ 13,266</u>	<u>\$ 9,152</u>	<u>\$ 2,591</u>	<u>\$ 3,574</u>	<u>\$ 0</u>	<u>\$ 28,583</u>
<u>FUND BALANCE</u>						
Reserved for:						
Road Improvements	\$ 0	\$ 721	\$ 2,023	\$ 0	\$ 0	\$ 2,744
Fire Protection	0	0	0	85,593	0	85,593
Street Lighting	0	0	0	0	1,959	1,959
Debt Retirement	0	0	0	0	2,328	2,328
Unreserved						
Designated for Fire Equipment	69,878	0	0	0	0	69,878
Undesignated	348,747	0	0	0	0	348,747
Total Fund Balance	<u>\$ 418,625</u>	<u>\$ 721</u>	<u>\$ 2,023</u>	<u>\$ 85,593</u>	<u>\$ 4,287</u>	<u>\$511,249</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 431,891</u>	<u>\$ 9,873</u>	<u>\$ 4,614</u>	<u>\$ 89,167</u>	<u>\$ 4,287</u>	<u>\$539,832</u>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total Fund Balances for Governmental Funds \$ 511,249

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 177,846	
Buildings	373,731	
Machinery and Equipment	29,126	
Infrastructure	126,935	
Accumulated Depreciation	<u>(75,029)</u>	632,609

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds.

Special Assessment Receivables	<u>9,152</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,153,010</u></u>
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The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	ROAD IMPROVEMENT FUND #11	ROAD IMPROVEMENT FUND #12	FIRE FUND	NONMAJOR FUNDS	TOTALS
<u>REVENUES</u>						
Taxes	\$ 91,637	\$ 0	\$ 0	\$ 139,279	\$ 2,101	\$ 233,017
Licenses and Permits	7,539	0	0	0	0	7,539
State Grants	216,694	0	0	0	0	216,694
Charges for Services	6,781	0	0	0	0	6,781
Interest and Rents	10,816	0	0	0	5	10,821
Other Revenues	968	5,547	563	15,489	612	23,179
Total Revenues	\$ 334,435	\$ 5,547	\$ 563	\$ 154,768	\$ 2,718	\$ 498,031
<u>EXPENDITURES</u>						
Legislative	\$ 23,345	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,345
General Government	92,067	0	0	0	0	92,067
Public Safety	750	0	0	152,506	0	153,256
Public Works	144,188	0	0	0	1,629	145,817
Other Functions	19,393	0	0	0	0	19,393
Total Expenditures	\$ 279,743	\$ 0	\$ 0	\$ 152,506	\$ 1,629	\$ 433,878
Excess (Deficiency) of Revenues Over Expenditures	\$ 54,692	\$ 5,547	\$ 563	\$ 2,262	\$ 1,089	\$ 64,153

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	ROAD IMPROVEMENT FUND #11	ROAD IMPROVEMENT FUND #12	FIRE FUND	NONMAJOR FUNDS	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In	\$ 5,438	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,438
Transfers Out	0	(4,826)	0	0	(612)	(5,438)
Total Other Financing Sources (Uses)	\$ 5,438	\$ (4,826)	\$ 0	\$ 0	\$ (612)	\$ 0
Net Change in Fund Balance	\$ 60,130	\$ 721	\$ 563	\$ 2,262	\$ 477	\$ 64,153
<u>FUND BALANCE</u> - Beginning of Year	358,495	0	1,460	83,331	3,810	447,096
<u>FUND BALANCE</u> - End of Year	\$ 418,625	\$ 721	\$ 2,023	\$ 85,593	\$ 4,287	\$ 511,249

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 64,153
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(23,873)
Capital Outlay	131,690
Under modified accrual basis of accounting, revenue is recognized when measurable and certain. The entity wide statements recognize revenue when earned.	
Special assessment revenue previously recognized when earned for the entity wide statements.	<u>(4,839)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 167,131</u></u>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2006

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 41,721
Accounts Receivable	2,828
Due from Other Funds	<u>912</u>
Total Current Assets	<u>\$ 45,461</u>
<u>CAPITAL ASSETS</u>	
Improvements Other Than Buildings	\$ 114,467
Less Accumulated Depreciation	<u>60,664</u>
Net Capital Assets	<u>\$ 53,803</u>
TOTAL ASSETS	<u><u>\$ 99,264</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Other Funds	<u>\$ 8,462</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 53,803
Unrestricted	<u>36,999</u>
Total Net Assets	<u>\$ 90,802</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 99,264</u></u>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30, 2006

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	\$ 8,593
<u>OPERATING EXPENSES</u>	
Public Works	
Contracted Services	
Operation and Maintenance	
Wexford County Department of Public Works	\$ 8,462
Depreciation	2,289
Total Operating Expenses	\$ 10,751
Operating Income (Loss)	\$ (2,158)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	838
Change in Net Assets	\$ (1,320)
<u>NET ASSETS - Beginning of Year</u>	92,122
<u>NET ASSETS - End of Year</u>	\$ 90,802

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2006

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 7,617
Cash Flows from Investing Activities:	
Interest on Investments	838
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 8,455
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	33,266
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 41,721
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ (2,158)
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	\$ 2,289
(Increase) Decrease in Current Assets	
Accounts Receivable	(64)
Due from Other Funds	(912)
Increase (Decrease) in Current Liabilities	
Due to Other Funds	8,462
Total Adjustments	\$ 9,775
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 7,617

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND

JUNE 30, 2006

<u>ASSETS</u>		
Cash		<u>\$ 73,365</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Due to Other Funds		\$ 72,903
Due to Other Governmental Units		<u>462</u>
Total Liabilities		\$ 73,365
<u>Net Assets</u>		<u>0</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 73,365</u>

The notes to the financial statements are an integral part of this statement.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Clam Lake Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that the Clam Lake Township Downtown Development Authority is a component unit of the Township. This component unit has been omitted from the Township's basic financial statements. The component unit is individually audited separate from the Township's audit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Clam Lake Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Improvement Fund #11* accounts for revenue sources that are legally restricted to expenditure for road improvements.

The *Road Improvement Fund #12* accounts for revenue sources that are legally restricted to expenditure for road improvements.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

Clam Lake Township reports the following major proprietary funds:

The *Sewer Fund* records financial activity of the Township's portion of the Cadillac-Mitchell Sewer Loop Project. The Township participates in the Cadillac-Mitchell Sewer Loop Project with Selma Township and Cherry Grove Township.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Additionally Clam Lake Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *debt service funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution including repurchase agreements and treasury portfolio B funds. Authorized depositories shall be designated by the Clam Lake Township Board at the Board's organizational meeting after each election of Township Officers.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes, one-third of county taxes, and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Clam Lake Township totaled \$77,713,388, on which ad valorem taxes levied consisted of 0.8304 mills for the Clam Lake Township operating purposes, and 2.0000 mills for Clam Lake Township fire protection. These levies raised approximately \$57,833 for operating purposes and \$139,279 for fire protection.

3. Inventories and Prepaid Items

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	15-30
Public domain infrastructure	50
Machinery and Equipment	5-10

Clam Lake Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning July 1, 2003, in accordance with the Township's capitalization policy.

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs,

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 8, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Fire Fund	\$ 141,969	\$ 152,506

This overage was funded with available fund balance and greater than expected revenues.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

III.DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits and investments are all on deposit with Citizens Bank in Cadillac, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, \$195,244 of the government's bank balance of \$512,423 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, all of the Township's investments were uncategorized as to risk.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

B. Receivables

Receivables as of year end for the government's individual major fund and nonmajor funds in aggregate, are as follows:

	General	Road Improvement #11	Road Improvement #12	Fire	Sewer	Nonmajor and Other Funds	Total
Receivables							
Accounts	\$ 0	\$ 0	\$ 0	\$ 0	\$2,828	\$ 0	\$ 2,828
Taxes	87	0	0	209	0	0	296
Fiduciary	24,211	721	2,025	44,102	0	1,844	72,903
Special							0
Assessments	0	9,152	2,589	0	0	236	11,977
Due from Other							0
Governments	50,113	0	0	0	0	0	50,113
	<u>\$74,411</u>	<u>\$ 9,873</u>	<u>\$ 4,614</u>	<u>\$44,311</u>	<u>\$2,828</u>	<u>\$ 2,080</u>	<u>\$138,117</u>

The allowance for doubtful accounts is not considered to be material for disclosure. In addition, any delinquent sewer service receivables can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special Assessment Receivable (Road Improvement Fund #11)	<u>\$ 9,152</u>	<u>\$ 0</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 48,000	\$ 0	\$ 0	\$ 48,000
Capital assets, being depreciated				
Buildings	\$ 373,731	\$ 0	\$ 0	\$ 373,731
Land Improvements	129,846	0	0	129,846
Infrastructure	0	126,935	0	126,935
Machinery and equipment	24,371	4,755	0	29,126
Total capital assets, being depreciated	\$ 527,948	\$ 131,690	\$ 0	\$ 659,638
Less accumulated depreciation for:				
Buildings	\$ 27,703	\$ 11,081	\$ 0	\$ 38,784
Land Improvements	16,231	6,492	0	22,723
Infrastructure	0	3,173	0	3,173
Machinery and equipment	7,222	3,127	0	10,349
Total accumulated depreciation	\$ 51,156	\$ 23,873	\$ 0	\$ 75,029
Total capital assets, being depreciated, net	\$ 476,792	\$ 107,817	\$ 0	\$ 584,609
Governmental activities capital assets, net	\$ 524,792	\$ 107,817	\$ 0	\$ 632,609

Business-Type Activities

Capital assets, being depreciated				
Improvements other than buildings	\$ 114,467	\$ 0	\$ 0	\$ 114,467
Less accumulated depreciation for:				
Improvements other than buildings	\$ 58,375	\$ 2,289	\$ 0	\$ 60,664
Business-type activities capital assets, net	\$ 56,092	\$ (2,289)	\$ 0	\$ 53,803

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 20,700
Public Works	3,173
	<u>\$ 23,873</u>
Business-type activities:	
Sewer	<u>\$ 2,289</u>

The Township has no outstanding construction commitments as of June 30, 2006.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2006, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 14,627	\$ 912
Special Revenue Funds		
Road Improvement Fund #12	0	2,591
Fire Fund	0	3,574
Proprietary Fund		
Sewer Fund	912	8,462
	<u>\$ 15,539</u>	<u>\$ 15,539</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund transfers as of June 30, 2006 were:

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
<u>Primary Government</u>		
General Fund	\$ 5,438	\$ 0
Road Improvement Fund #11	0	4,826
Nonmajor Special Revenue Funds	0	612
	<u>\$ 5,438</u>	<u>\$ 5,438</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

At June 30, 2006, the Township was not obligated for any long-term debt.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Funds

Road Improvement Fund #12

Road Improvements \$ 2,744

Fire Fund

Fire Protection 85,593

Street Lighting Fund #1

Street Lighting 1,319

Street Lighting Fund #2

Street Lighting 640 \$ 90,296

Debt Service Fund

Reserved for Debt Service

Sewer Project 2,328

TOTAL FUND BALANCE RESERVES

\$ 92,624

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Sewer Fund

The Township is participating with Selma and Cherry Grove Townships in the Lakes Cadillac-Mitchell Sewer Loop Project. This project was being financed through state and federal grants and the sale of

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

special assessment bonds. The total estimated cost of the project was \$2,605,674. Clam Lake Township's share of this project is 4.39% (\$114,467). This amount has been capitalized as an asset in the Sewer Fund. The Township has contracted with the Wexford County Department of Public Works to operate and maintain the system.

C. Retirement Plan

The Township has defined contribution pension plan with Manufacturers Life Insurance Company which covers Township officers which elect to be covered. Township contributions to the plan for 2005-2006, amounted to \$9,193. In addition, the Township paid \$198 in charges and participant fees. For the 2005-2006 year, total covered payroll amounted to approximately \$61,826 and total wages including non-covered payroll was \$69,232.

D. Fire Protection Contract

The Township entered into an agreement with the City of Cadillac on July 1, 2001, whereas, the City will provide the township with fire protection services. The agreement calls for the township to pay to the City on an annual basis an amount equal to two (2) mills on the taxable value of the real and personal property of the township as determined during each year of the contract. Also, the Township must pay the equivalent of one (1) mill on all property covered by an industrial facilities tax exemption or a commercial facilities tax exemption.

In addition to the above basic payment, Clam Lake agrees that should it be determined that special equipment (equipment not owned by the Cadillac Fire Department) or technical assistance is required to avert or prevent a hazard or hazardous condition, then all costs incurred by the City shall be paid by the Township.

E. Component Unit

The Clam Lake Township Downtown Development Authority is considered a component unit of Clam Lake Township. The DDA is authorized to impose an ad valorem tax on all taxable property within the established DDA Township. The following financial information was taken from the DDA's June 30, 2006 audited financial statements.

Total Assets	\$ 255,152
Net Assets – Unreserved	255,152
Total Revenues	86,560
Total Expenditures	53,546
Net Increase in Net Assets	33,014

A copy of these audited financial statements may be obtained on request from the DDA treasurer at 102 Doral Drive, Cadillac, Michigan 49601.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	GENERAL FUND			ROAD IMPROVEMENT FUND #11			ROAD IMPROVEMENT FUND #12			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES												
Taxes	\$ 91,000	\$ 91,000	\$ 91,637	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 141,969	\$ 141,969	\$ 139,279
State Grants	152,800	152,800	216,694	0	0	0	0	0	0	0	0	0
Charges for Services	20,500	20,500	6,781	0	0	0	0	0	0	0	0	0
Interest and Rents	4,000	4,000	10,816	0	0	0	0	0	0	0	0	0
Other Revenues	3,000	3,000	968	5,500	5,500	5,547	3,500	3,500	563	0	0	15,489
Total Revenues	\$ 271,300	\$ 271,300	\$ 326,896	\$ 5,500	\$ 5,500	\$ 5,547	\$ 3,500	\$ 3,500	\$ 563	\$ 141,969	\$ 141,969	\$ 154,768
EXPENDITURES												
Legislative	\$ 38,150	\$ 38,150	\$ 23,345	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government												
Supervisor	13,000	13,000	12,000	0	0	0	0	0	0	0	0	0
Election	3,000	3,000	6,601	0	0	0	0	0	0	0	0	0
Assessor	27,500	27,500	25,237	0	0	0	0	0	0	0	0	0
Clerk	14,000	14,000	12,771	0	0	0	0	0	0	0	0	0
Board of Review	1,500	1,500	1,350	0	0	0	0	0	0	0	0	0
Treasurer	22,000	22,000	20,402	0	0	0	0	0	0	0	0	0
Building and Grounds	21,000	21,000	10,837	0	0	0	0	0	0	0	0	0
Cemetery	7,000	7,000	2,869	0	0	0	0	0	0	0	0	0
Public Safety	12,000	12,000	750	0	0	0	0	0	0	141,969	141,969	152,506
Public Works	34,000	147,000	144,188	0	0	0	0	0	0	0	0	0
Other Functions	124,500	45,500	19,393	0	0	0	0	0	0	0	0	0
Contingency	34,000	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	\$ 351,650	\$ 351,650	\$ 279,743	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 141,969	\$ 141,969	\$ 152,506
Excess (Deficiency) of Revenues Over Expenditures	\$ (80,350)	\$ (80,350)	\$ 47,153	\$ 5,500	\$ 5,500	\$ 5,547	\$ 3,500	\$ 3,500	\$ 563	\$ 0	\$ 0	\$ 2,262
OTHER FINANCING SOURCES (USES)												
Transfers In	\$ 8,500	\$ 8,500	\$ 5,438	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers Out	0	0	0	(5,500)	(5,500)	(4,826)	(3,500)	(3,500)	0	0	0	0
Total Other Financing Sources (Uses)	\$ 8,500	\$ 8,500	\$ 5,438	\$ (5,500)	\$ (5,500)	\$ (4,826)	\$ (3,500)	\$ (3,500)	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ (71,850)	\$ (71,850)	\$ 52,591	\$ 0	\$ 0	\$ 721	\$ 0	\$ 0	\$ 563	\$ 0	\$ 0	\$ 2,262
FUND BALANCE - Beginning of Year	194,542	194,542	358,495	0	0	0	0	0	1,460	86,679	86,679	83,331
FUND BALANCE - End of Year	\$ 122,692	\$ 122,692	\$ 411,086	\$ 0	\$ 0	\$ 721	\$ 0	\$ 0	\$ 2,023	\$ 86,679	\$ 86,679	\$ 85,593

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

BALANCE SHEET
JUNE 30, 2006

ASSETS

Cash	\$ 342,853
Taxes Receivable	87
Due from Other Governments	50,113
Due from Fire Fund	3,574
Due from Road Fund #12	2,591
Due from Sewer Operations and Maintenance Fund	8,462
Due from Fiduciary Fund	<u>24,211</u>
 TOTAL ASSETS	 <u><u>\$ 431,891</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 10,654
Due to Other Funds	912
Payroll Withholdings	1,299
Accrued Payroll Taxes	<u>401</u>
 Total Liabilities	 <u>\$ 13,266</u>

FUND BALANCE

Unreserved	
Designated for Fire Equipment	\$ 69,878
Undesignated	<u>348,747</u>
 Total Fund Balance	 <u>\$ 418,625</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 431,891</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2006

REVENUES

Taxes	\$ 91,637
Licenses and Permits	7,539
State Grants	216,694
Charges for Services	6,781
Interest and Rents	10,816
Other Revenues	<u>968</u>
 Total Revenues	 <u>\$ 334,435</u>

EXPENDITURES

Legislative	
Township Board	\$ 23,345
General Government	
Supervisor	12,000
Election	6,601
Assessor	25,237
Clerk	12,771
Board of Review	1,350
Treasurer	20,402
Building and Grounds	10,837
Cemetery	2,869
Public Safety	750
Public Works	144,188
Other Functions	<u>19,393</u>
 Total Expenditures	 <u>\$ 279,743</u>
 Excess (Deficiency) of Revenues	
Over Expenditures	<u>\$ 54,692</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2006

OTHER FINANCING SOURCES (USES)

Transfers In (Out)

Road Fund #7

\$ 612

Road Fund #11

4,826

Total Other Financing Sources (Uses)

\$ 5,438

Net Change in Fund Balance

\$ 60,130

FUND BALANCE - Beginning of the Year

358,495

FUND BALANCE - End of the Year

\$ 418,625

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #11

BALANCE SHEET
JUNE 30, 2006

ASSETS

Special Assessments Receivable	\$ 9,152
Due from Tax Fund	<u>721</u>
 TOTAL ASSETS	 <u><u>\$ 9,873</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred Revenue	\$ 9,152
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FUND BALANCE

Reserved for Road Improvement	<u>721</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 9,873</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2006

REVENUES

Other Revenues	
Special Assessments	\$ 4,273
Interest on Special Assessments	1,074
Penalties on Late Payments	<u>200</u>
 Total Revenues	 \$ 5,547

EXPENDITURES

Public Works	
Highways, Streets, and Bridges	
Repairs and Maintenance	<u>0</u>
 Excess (Deficiency) of Revenues Over Expenditures	 \$ 5,547

OTHER FINANCING SOURCES (USES)

Transfers Out	
General Fund	<u>(4,826)</u>
 Net Change in Fund Balance	 \$ 721

<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 721</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #12

BALANCE SHEET
JUNE 30, 2006

ASSETS

Special Assessments Receivable	\$ 2,589
Due from Tax Fund	<u>2,025</u>
 TOTAL ASSETS	 <u><u>\$ 4,614</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to General Fund	\$ 2,591
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FUND BALANCE

Reserved for Road Improvement	<u>2,023</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 4,614</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2006

REVENUES

Other Revenues

Interest on Special Assessments	\$ 223
Penalties on Late Payments	<u>340</u>

Total Revenues	\$ 563
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EXPENDITURES

Public Works

Highways, Streets, and Bridges	
Repairs and Maintenance	<u>0</u>

Excess (Deficiency) of Revenues Over Expenditures	\$ 563
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<u>FUND BALANCE</u> - Beginning of Year	<u>1,460</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 2,023</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

BALANCE SHEET
JUNE 30, 2006

ASSETS

Cash	\$ 44,856
Taxes Receivable	209
Due from Tax Fund	<u>44,102</u>
 TOTAL ASSETS	 <u><u>\$ 89,167</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to General Fund	\$ 3,574
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FUND BALANCE

Reserved for Fire Protection	<u>85,593</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 89,167</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2006

REVENUES

Taxes

Current Property Taxes \$ 139,279

Other Revenues

Downtown Development Authority

Reimbursement 15,489

Total Revenues \$ 154,768

EXPENDITURES

Public Safety

Fire Department

Aid to Other Government

Fire Contract - City of Cadillac \$ 152,106

Contracted Services 400

Total Expenditures \$ 152,506

Excess (Deficiency) of Revenues

Over Expenditures \$ 2,262

FUND BALANCE - Beginning of Year 83,331

FUND BALANCE - End of Year \$ 85,593

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

STATEMENT OF NET ASSETS

JUNE 30, 2006

ASSETS

CURRENT ASSETS

Cash	\$ 41,721
Accounts Receivable	2,828
Due from Other Funds	<u>912</u>
Total Current Assets	<u>\$ 45,461</u>

CAPITAL ASSETS

Improvements Other than Buildings	\$ 114,467
Less Accumulated Depreciation	<u>60,664</u>
Net Capital Assets	<u>\$ 53,803</u>
TOTAL ASSETS	<u><u>\$ 99,264</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Due to Other Funds	<u>\$ 8,462</u>
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NET ASSETS

Invested in Capital Assets	\$ 53,803
Unrestricted	<u>36,999</u>
Total Net Assets	<u>\$ 90,802</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 99,264</u></u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2006

OPERATING REVENUES

Charges for Services	
Sewer Use Charges and Connection Fees	<u>\$ 8,593</u>

OPERATING EXPENSES

Public Works	
Contracted Services	
Operation and Maintenance	
Wexford County Department of Public Works	\$ 8,462
Depreciation	<u>2,289</u>
 Total Operating Expenses	 <u>\$ 10,751</u>
 Operating Income (Loss)	 \$ (2,158)

NONOPERATING REVENUES (EXPENSES)

Interest Income	<u>838</u>
 Change in Net Assets	 \$ (1,320)

<u>NET ASSETS</u> - Beginning of Year	<u>92,122</u>
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<u>NET ASSETS</u> - End of Year	<u><u>\$ 90,802</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 7,617
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Cash Flows from Investing Activities:

Interest on Investments	\$ 838
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Net Increase (Decrease) in Cash and Cash Equivalents	\$ 8,455
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<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>33,266</u>
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<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 41,721</u></u>
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RECONCILIATION OF OPERATING INCOME

TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ (2,158)</u>
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Adjustments to Reconcile Operating Income

To Net Cash Provided by Operating Activities

Depreciation	\$ 2,289
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(Increase) Decrease in Current Assets

Accounts Receivable	(64)
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Due from Other Funds	(912)
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Increase (Decrease) in Current Liabilities

Due to Other Funds	<u>8,462</u>
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Total Adjustments	<u>\$ 9,775</u>
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NET CASH PROVIDED BY
OPERATING ACTIVITIES

	<u><u>\$ 7,617</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING BALANCE SHEET
JUNE 30, 2006

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	TOTALS
<u>ASSETS</u>			
Cash	\$ 115	\$ 2,092	\$ 2,207
Special Assessments Receivable	0	236	236
Due from Tax Fund	1,844	0	1,844
TOTAL ASSETS	<u>\$ 1,959</u>	<u>\$ 2,328</u>	<u>\$ 4,287</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCE</u>			
Reserved	<u>\$ 1,959</u>	<u>\$ 2,328</u>	<u>\$ 4,287</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,959</u>	<u>\$ 2,328</u>	<u>\$ 4,287</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	TOTALS
<u>REVENUES</u>			
Taxes	\$ 2,101	\$ 0	\$ 2,101
Interest and Rents	0	5	5
Other Revenues	612	0	612
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 2,713	\$ 5	\$ 2,718
<u>EXPENDITURES</u>			
Public Works	1,629	0	1,629
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,084	\$ 5	\$ 1,089
	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	\$ (612)	\$ 0	\$ (612)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	\$ 472	\$ 5	\$ 477
<u>FUND BALANCES</u> - Beginning of Year	1,487	2,323	3,810
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCES</u> - End of Year	\$ 1,959	\$ 2,328	\$ 4,287
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2006

	ROAD IMPROVEMENT FUND #7	STREET LIGHTING FUND #1	STREET LIGHTING FUND #2	TOTAL
<u>ASSETS</u>				
Cash	\$ 0	\$ 375	\$ (260)	\$ 115
Due from Tax Fund	0	944	900	1,844
TOTAL ASSETS	\$ 0	\$ 1,319	\$ 640	\$ 1,959
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>				
Reserved for:				
Street Lighting	\$ 0	\$ 1,319	\$ 640	\$ 1,959
TOTAL LIABILITIES AND FUND BALANCE	\$ 0	\$ 1,319	\$ 640	\$ 1,959

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2006

	ROAD IMPROVEMENT FUND #7	STREET LIGHTING FUND #1	STREET LIGHTING FUND #2	TOTAL
<u>REVENUES</u>				
Taxes	\$ 0	\$ 1,201	\$ 900	\$ 2,101
Other Revenues	612	0	0	612
Total Revenues	\$ 612	\$ 1,201	\$ 900	\$ 2,713
<u>EXPENDITURES</u>				
Public Works	0	981	648	1,629
Excess (Deficiency) of Revenues Over Expenditures	\$ 612	\$ 220	\$ 252	\$ 1,084
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	\$ (612)	\$ 0	\$ 0	\$ (612)
Net Change in Fund Balance	\$ 0	\$ 220	\$ 252	\$ 472
<u>FUND BALANCE</u> - Beginning of Year	0	1,099	388	1,487
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 1,319	\$ 640	\$ 1,959

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #7

BALANCE SHEET
JUNE 30, 2006

ASSETS

Special Assessments Receivable	<u>\$ 0</u>
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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FUND BALANCE

Reserved for Road Improvement	<u>0</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 0</u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Other Revenues		
Special Assessments	\$ 0	\$ 566
Interest on Special Assessments	615	46
Total Revenues	\$ 615	\$ 612
<u>EXPENDITURES</u>	0	0
Excess (Deficiency) of Revenues Over Expenditures	\$ 615	\$ 612
<u>OTHER FINANCING (USES)</u>		
Transfer Out		
General Fund	(615)	(612)
Net Change in Fund Balance	\$ 0	\$ 0
<u>FUND BALANCE</u> - Beginning of Year	0	0
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STREET LIGHTING FUND #1

BALANCE SHEET
JUNE 30, 2006

ASSETS

Cash	\$ 375
Due from Tax Fund	<u>944</u>
TOTAL ASSETS	<u><u>\$ 1,319</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Reserved for Street Lighting	<u>1,319</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,319</u></u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STREET LIGHTING FUND #1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes		
Current Property Taxes	<u>\$ 1,200</u>	<u>\$ 1,201</u>
<u>EXPENDITURES</u>		
Public Works		
Street Lighting		
Other Services and Charges		
Public Utilities	\$ 1,200	\$ 890
Printing and Publishing	0	91
	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 1,200</u>	<u>\$ 981</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 220
<u>FUND BALANCE</u> - Beginning of Year	<u>778</u>	<u>1,099</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 778</u>	<u>\$ 1,319</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STREET LIGHTING FUND #2

BALANCE SHEET
JUNE 30, 2006

ASSETS

Cash	\$ (260)
Due from Tax Account	<u>900</u>
TOTAL ASSETS	<u><u>\$ 640</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Reserved for Street Lighting	<u>640</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 640</u></u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STREET LIGHTING FUND #2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes		
Current Property Taxes	\$ 900	\$ 900
<u>EXPENDITURES</u>		
Public Works		
Street Lighting		
Other Services and Charges		
Public Utilities	\$ 900	\$ 557
Printing and Publishing	0	91
Total Expenditures	\$ 900	\$ 648
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 252
<u>FUND BALANCE</u> - Beginning of Year	388	388
<u>FUND BALANCE</u> - End of Year	\$ 388	\$ 640

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR DEBT SERVICE FUND - SEWER PROJECT

BALANCE SHEET
JUNE 30, 2006

ASSETS

Cash	\$ 2,092
Special Assessments Receivable	<u>236</u>
TOTAL ASSETS	<u><u>\$ 2,328</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Reserved for Debt Retirement	<u>2,328</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,328</u></u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR DEBT SERVICE FUND - SEWER PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Interest on Investments	\$ 0	\$ 5
Special Assessments Including Interest	152	0
Total Revenues	\$ 152	\$ 5
<u>EXPENDITURES</u>	0	0
Excess (Deficiency) of Revenues Over Expenditures	\$ 152	\$ 5
<u>FUND BALANCE</u> - Beginning of Year	2,085	2,323
<u>FUND BALANCE</u> - End of Year	\$ 2,237	\$ 2,328

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2006

	BALANCE				BALANCE
	7/1/2005	ADDITIONS	DEDUCTIONS	6/30/2006	
<u>ASSETS</u>					
Cash	\$ 5,718	\$ 2,625,226	\$ 2,557,579	\$ 73,365	
<u>LIABILITIES</u>					
Due to Other Funds	\$ 5,718	\$ 366,799	\$ 299,614	\$ 72,903	
Due to Other Governmental Units	0	2,250,988	2,250,526	462	
Due to Other Organizations and Individuals	0	7,439	7,439	0	
TOTAL LIABILITIES	\$ 5,718	\$ 2,625,226	\$ 2,557,579	\$ 73,365	

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2005 WINTER PROPERTY TAX ROLL
JUNE 30, 2006

TAXES ASSESSED

County		\$	558,223	
Township				
Operating	\$	57,833		
Fire		139,279		
Street Lighting		2,101		
Special Assessment - Road Improvements		3,910		
Special Assessment - Sewer Service		912		
Downtown Development Authority		77,700	281,735	
Schools				
Cadillac Area Public Schools	\$	378,864		
Pine River Area Schools		22,565		
McBain Rural Agricultural School		1,774	403,203	
Intermediate School				
Wexford-Missaukee			463,272	\$ 1,706,433

TAXES COLLECTED

County		\$	498,393	
Township				
Operating	\$	51,706		
Fire		124,525		
Street Lighting		1,844		
Special Assessment - Road Improvements		2,746		
Special Assessment - Sewer Service		0		
Downtown Development Authority		63,331	244,152	
Schools				
Cadillac Area Public Schools	\$	324,253		
Pine River Area Schools		20,835		
McBain Rural Agricultural School		1,774	346,862	
Intermediate School				
Wexford-Missaukee			410,395	1,499,802

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2005 WINTER PROPERTY TAX ROLL
JUNE 30, 2006

TAXES RETURNED DELINQUENT

County		\$	59,830	
Township				
Operating	\$	6,127		
Fire		14,754		
Street Lighting		257		
Special Assessment - Road Improvements		1,164		
Special Assessment - Sewer Service		912		
Downtown Development Authority		14,369	37,583	
Schools				
Cadillac Area Public Schools	\$	54,611		
Pine River Area Schools		1,730		
McBain Rural Agricultural School		0	56,341	
Intermediate School				
Wexford-Missaukee			52,877	\$ 206,631

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2005 SUMMER PROPERTY TAX ROLL
JUNE 30, 2006

TAXES ASSESSED

County	\$	174,349	
County - State Education Tax		466,275	
Schools			
Cadillac Area Public Schools		<u>379,674</u>	\$ 1,020,298

TAXES COLLECTED

County	\$	166,270	
County - State Education Tax		444,669	
Schools			
Cadillac Area Public Schools		<u>360,806</u>	<u>971,745</u>

TAXES RETURNED DELINQUENT

County	\$	8,079	
County - State Education Tax		21,606	
Schools			
Cadillac Area Public Schools		<u>18,868</u>	<u>\$ 48,553</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 25, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Clam Lake Township
Wexford County
Cadillac, Michigan

As a result of our audit of the financial statements of Clam Lake Township for the year ended June 30, 2006, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Township.

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items are noted:

- (1) Total expenditures in the Township's Fire Fund exceeded the total of budgeted expenditures.
- (2) Overall, the budgeting procedures used by the Township are extremely accurate, and we encourage the Township to continue this excellent effort.

Reconciliations

Upon examination it was apparent that the books are not being reconciled to the bank on a regular basis. As a method of strengthening internal control, we recommend the Township implement a process to reconcile the books to the bank on a monthly basis.

Also, it appears that the Clerk's and Treasurer's records are not being reconciled to each other on a regular basis. We recommend that the Clerk and Treasurer compare and reconcile their records to each other on a monthly basis. Please feel free to contact us should the Township desire any assistance with implementing these recommendations.

Credit Card Policy

During the course of our audit we found that the Township was using several store credit cards. Further, it was found that the Township has not adopted a written credit card policy. According to Public Act 266 of 1995 the Township must adopt a written credit card policy to be a party to a credit card arrangement. We recommend the Township adopt a written policy governing the control and use of credit cards.

Reportable Condition in Internal Controls

In planning and performing our audit of the financial statements of Clam Lake Township for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We have included a separate letter (letter of reportable conditions) which addresses those items noted.

We would like to thank the Board for its continued confidence in our firm by awarding us the audit assignment of the Township. We would also like to thank the Clerk and Treasurer for their cooperation in helping us fulfill the audit of the Township records.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
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M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 25, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Clam Lake Township
Wexford County
Cadillac, Michigan

In planning and performing our audit of the basic financial statements of Clam Lake Township, Wexford County, Cadillac, Michigan for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Clam Lake Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.